



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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February 8, 2010

Will Jordan, Executive Director  
Metro St. Louis Equal Housing Opportunity Council  
1027 South Vandeventer Ave  
St. Louis, MO 63110

RE: Community Development Block Grant (CDBG) (Project #2010-CDA6)

Dear Mr. Jordan:

Enclosed is a report of the fiscal monitoring review of Metro St. Louis Equal Housing Opportunity Council, a not-for-profit organization, for the period January 1, 2009 through July 31, 2009. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Metro St. Louis Equal Housing Opportunity Council. Fieldwork was completed on August 11, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of the Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA  
Lorna Alexander, Special Assistant for Development, CDA



# CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**METRO ST. LOUIS EQUAL HOUSING OPPORTUNITY COUNCIL**

**CONTRACT #09-10-69**

**CFDA #14.218**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2009 THROUGH JULY 31, 2009**

**PROJECT #2010-CDA6**

**DATE ISSUED: FEBRUARY 8, 2010**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
METRO ST. LOUIS EQUAL HOUSING OPPORTUNITY COUNCIL  
FISCAL MONITORING REVIEW  
JANUARY 1, 2009 THROUGH JULY 31, 2009**

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## **INTRODUCTION**

### **Background**

**Contract Name:** Equal Housing Opportunity Education

**Contract Number:** 09-10-69

**CFDA Number:** 14.218

**Contract Period:** January 1, 2009 through July 31, 2009

**Contract Amount:** \$40,000

The contract provided Community Development Block Grant (CDBG) funds to Metro St. Louis Equal Housing Opportunity Council (Agency) to provide sessions on fair lending and housing, first-time home-buying, accessibility/disability and phone counseling to the community and various organizations.

### **Purpose**

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2009 through July 31, 2009 and make recommendations for improvements as considered necessary.

### **Scope and Methodology**

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on August 11, 2009.

### **Exit Conference**

The Agency was offered the opportunity for an exit conference on December 29, 2009, but the Agency declined.

### **Management Responses**

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on January 8, 2010. These responses have been incorporated into this report.

## **SUMMARY OF OBSERVATIONS**

### **Conclusion**

The Agency did not fully comply with federal, state and local CDA requirements.

### **Status of Prior Observations**

The Agency's previous fiscal monitoring report, Project #2007-CDA7, dated January 20, 2009, contained the following observation.

- Opportunity to file an IRS form 990 (**Resolved**)

### **A-133 Status**

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ending December 31, 2008, and was not required to have an A-133 audit.

### **Summary of Current Observation**

A recommendation was made for the following observation, which if implemented, could assist the Agency in fully complying with federal, state and local CDA requirements.

- Opportunity to improve internal controls over financial reporting

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **Opportunity to Improve Internal Controls over Financial Reporting**

The Agency did not have adequate or compensating controls to ensure accurate financial reporting. During the review, the following was noted:

- Lack of an accounting procedures manual
- CDA funds were not separately identified
- Agency's financial position was not discussed at board meeting
- Net income recorded on the Income Statement did not match net income recorded on the Balance Sheet for the same periods ended
- Lack of separation of duties among accounting functions

CDA policies and procedure manual, under Internal Controls, require written policy and procedures; separating functional job responsibilities, and keeping proper records that ensure accountability of financial systems.

The Agency did not consider internal or compensating controls such as board oversight, to ensure accurate financial reporting.

The Agency cannot ensure accurate reporting due to the lack of written procedures, lack of separation of job functions and lack of board oversight to verify financial information prepared. Inaccurate financial records may limit the Agency's ability to provide the services as required by its contract.

### **Recommendation**

It is recommended that the Agency:

- Establish written procedures for its financial reporting to ensure accurate reporting
- Separate and clearly identify CDA funds
- Provide adequate separation of duties or develop compensating controls among accounting functions and job responsibilities
- Develop a system of review and approval to verify and ensure accurate financial records
- Ensure proper board oversight and discussion for financial operations

### **Management's Response**

*We Concur with the observation that we lack an accounting procedures Manual  
We disagree with the observation that CDA funds were not Separately Identified*

*We disagree with the observation that the Agency's Financial position was not  
discussed at Board meetings.*

*We disagree that the Income Statement didn't match the recorded Balance sheet for  
examined period.*

*We disagree with observation of lack of separation of duties among functions.*

*EHOC will have a detailed Accounting Procedures Manual in place by February of  
2010 after review of these findings by our Board and incorporation of the CDA's  
observed recommendations.*

*EHOC discusses the financial position of the organization at all board meetings  
including current actual to budget standing and cash flow projections 6months ahead  
in time. Additionally in 2010 EHOC is increasing its board oversight by including  
monthly financial committee meetings to examine accounting procedures, grant  
tracking and expenditure approval by the board.*

*According to our records all Income statements match balance sheets for the same  
period ended including those provided for purposes of the Audit with CDA. CDA  
funds are Separately Identified fully utilizing the Non for profit edition of Intuits'  
"Quick Books" accounting software for all expenditures and receivables. There is a  
separation of accounting functions between Robin Warfield who reconciles the  
account and processes account receivable and payable, Will Jordan who authorizes  
and signs request and checks and makes deposits and Mira Tanna the Assistant  
Director who receives and opens the mail.*

### **Auditor's Comment**

In reviewed the Agency's financial statements we identified:

- CDA funds incorporated into an account labeled "Grants," which the total amount recorded was more than CDA granted and included the Agency's other funding sources.
- Net Income on the Agency's Profit & Loss statement was understated by (\$8,990.50) on the Agency's Balance Sheet.

In addition, IAS requested and read the Agency's board meeting minutes, in which the Agency did not discuss it financial position. IAS also questioned and asked for written conformation of the Agency's accounting procedures. The Agency stated the accountant performs both accounting functions and reconciliation duties.